



Senate

General Assembly

File No. 653

January Session, 2001

Substitute Senate Bill No. 1415

Senate, May 8, 2001

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING SALES TAX-FREE WEEKS AND THE PERSONAL INCOME TAX CREDIT FOR PROPERTY TAXES PAID.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-407d of the general statutes is repealed and the
2 following is substituted in lieu thereof:

3 From the [third] second Sunday in August until the second
4 Saturday next succeeding, inclusive, the provisions of this chapter
5 shall not apply to sales of any article of clothing or footwear intended
6 to be worn on or about the human body the cost of which article to the
7 purchaser is less than three hundred dollars. For purposes of this
8 section, clothing or footwear shall not include (A) any special clothing
9 or footwear primarily designed for athletic activity or protective use
10 and which is not normally worn except when used for the athletic
11 activity or protective use for which it was designed, and (B) jewelry,
12 handbags, luggage, umbrellas, wallets, watches and similar items

13 carried on or about the human body but not worn on the body in the
14 manner characteristic of clothing intended for exemption under this
15 section.

16 Sec. 2. Subsection (b) of section 12-704c of the general statutes is
17 repealed and the following is substituted in lieu thereof:

18 (b) The credit allowed under this section shall not exceed two
19 hundred fifteen dollars for the taxable year commencing on or after
20 January 1, 1997, and prior to January 1, 1998; for taxable years
21 commencing on or after January 1, 1998, but prior to January 1, 1999,
22 three hundred fifty dollars; for taxable years commencing on or after
23 January 1, 1999, but prior to January 1, 2000, four hundred twenty-five
24 dollars; [and] for taxable years commencing on or after January 1, 2000,
25 but prior to January 1, 2001, five hundred dollars; for taxable years
26 commencing on or after January 1, 2001, but prior to January 1, 2002,
27 six hundred fifty dollars; and for taxable years commencing on or after
28 January 1, 2002, seven hundred fifty dollars. In the case of any
29 husband and wife who file a return under the federal income tax for
30 such taxable year as married individuals filing a joint return, the credit
31 allowed, in the aggregate, shall not exceed such amounts for each such
32 taxable year.

33 Sec. 3. This act shall take effect July 1, 2001.

FIN *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Revenue Loss

Affected Agencies: Department of Revenue Sources

Municipal Impact: None

Explanation

State Impact:

There is a net General Fund revenue loss of \$102.7 million in FY 02 and \$162.7 million in FY 03 and each year thereafter. The table below presents the breakdown of the impact.

Description	Fiscal Impact (\$ - Millions)	
Increase the maximum personal income tax credit for property taxes paid on a primary residence or automobile from \$500 to \$650, effective 1/1/01 and to \$750, effective 1/1/02.	FY 02	(\$100.0)
	FY 03	(\$160.0)
Provide an additional sales tax free week on clothing and footwear costing less than \$300 per item.	FY 02	(\$2.7)
	FY 03	(\$2.7)

Supporting Information

The table below presents the Connecticut Adjusted Gross Income levels for, income year 2003, where the final personal income tax liability is eliminated or zeroed out by the application of the Property Tax Credit under Current Law and the Bill's increase of the credit to \$750, when fully phased-in. It is assumed that resident taxpayers are eligible for the credit and claim up to the maximum credit allowed. The number of resident returns estimates based on CT resident income tax returns for the 1998 and 1999 income years.

**Comparison of When CT Income Tax Liability is Eliminated for
CT AGI Levels by Tax Filing Status for Current Law and SB 1415
Property Tax Credit for Income Year 2003**

Current Law Returns Zeroed Out Credit up to \$500			
<u>Resident Taxpayer's Filing Status</u>	<u>CT AGI</u>	<u>Resident Returns</u>	
Couples Filing Joint	\$24,000 to \$43,600	100,460	
Couples Filing Separate	\$12,000 to \$26,000	8,060	
Head of Household	\$19,000 to \$37,400	61,480	
Single	\$12,750 to \$27,000	<u>161,660</u>	
Total Resident Returns		331,660	
SB 1415, when fully Phased-In, Returns Zeroed Out Credit up to \$750			
<u>Resident Taxpayer's Filing Status</u>	<u>CT AGI</u>	<u>Additional Returns</u>	<u>Total Returns</u>
Couples Filing Joint	\$24,000 to \$49,000	31,580	132,040
Couples Filing Separate	\$12,000 to \$28,850	1,880	9,940
Head of Household	\$19,000 to \$40,950	8,870	70,350
Single	\$12,750 to \$30,000	<u>31,910</u>	<u>193,570</u>
Total Resident Returns		74,240	405,900
Average Tax Savings	Current Law Credit up to \$500	Credit up to \$750 Increase	Total
All Resident Taxpayers	\$341.40	\$141.88	\$483.28

OLR BILL ANALYSIS

sSB 1415

AN ACT CONCERNING SALES TAX-FREE WEEKS AND THE PERSONAL INCOME TAX CREDIT FOR PROPERTY TAXES PAID.**SUMMARY:**

The bill increases the maximum credit taxpayers can take against their income taxes for property taxes they pay. For the 2001 taxable year, the bill increases the maximum credit from \$500 to \$650. For the 2002 taxable year and thereafter, it increases the maximum credit to \$750. Under current law and the bill, the credit phases out for taxpayers with higher incomes.

The bill also adds another week to the sales tax exemption period for clothing and footwear costing less than \$300, extending the sales-tax-free period from one to two weeks in August and starting it a week earlier. Under current law, the sales-tax-free period runs from the third Sunday in August through the following Saturday. Under the bill, it runs from the second Sunday of the month through the Saturday two weeks later.

EFFECTIVE DATE: July 1, 2001

BACKGROUND***Property Tax Credit Phase-Out***

Under current law and this bill, property tax credits over \$100 gradually phase out for taxpayers with Connecticut-adjusted gross incomes (AGI) above specified levels. The levels and the phase out schedules vary according to filing status and, in some cases, years, as follows:

<i>Filing Status</i>	<i>Taxable Year(s)</i>	<i>Phase Out Starts at Ct. AGI Above:</i>	<i>Phase Out = 10% credit reduction</i>
Married, filing	All	100,500	For each \$10,000 or

jointly			fraction of AGI over the threshold
Married, filing separately	All	52,250	For each \$5,000 or fraction of AGI over the threshold
Head of household	All	78,500	For each \$10,000 or fraction of AGI over the threshold
Single	2001	\$54,500	For each \$10,000 or fraction of AGI over the threshold
	2002	55,500	
	2003	56,500	
	2004	58,500	
	2005	60,500	
	2006	62,500	
	2007 and after	64,500	

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 44 Nay 1